

ER-5-6847

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Upping (Budget)

JUN 18 1954

MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT : Contract Settlements - FY-1952 Funds

REFERENCES : a. Memorandum dated 27 May 1954 from Comptroller to DD/A
b. Memorandum dated 4 June 1954 from DD/A to Comptroller (cc: C/LO) - (ER-5-6350) - Subj: Status of FY-52 Funds Obligated Against Procurement Contracts in Custody of Finance Div.

1. In regard to referenced memoranda, it is the opinion of this office that the Finance Division's recommendation regarding interim settlements is a practical solution to the serious Agency-contractor problem of excessive delays in payments. Interim settlements permit maximum immediate payment to the contractor, including the release of withholdings. They always follow a review of the billings by the contracting officer. The prudent use of such settlements does not result in any financial risk to the Government because (a) overpayments are seldom made, as the contracting officer authorizes only payments which he can justify; (b) settlements contain a specific refund agreement if any overpayment is made; and (c) no interim settlement is made with a contractor whose financial position is such that the Government could not collect a refund that may be due. Contract referral to the General Accounting Office results in additional delays in payment, which may be disastrous in the case of a small contractor. Interim settlements were effected last year and no difficulty concerning overpayment was encountered. There are now outstanding five interim settlement agreements which have been mailed to contractors for signature.

2. Concerning the referral of unvouchered funds contracts to the General Accounting Office for settlement, requisitioning offices have in the past been reluctant to reduce the security classifications on their projects. Further, there is the danger that such referrals of unvouchered funds contracts may result in limiting our use of unvouchered funds when security demands the use of such funds.

3. The reconciliation of the 98 contracts noted in reference a. with the 34 contracts listed by the Administration & Inspection Branch, Procurement Division, LO, has been completed and explained to your [REDACTED]. The Administration & Inspection Branch had failed to list one small contract. Eight unvouchered funds contracts had intentionally been omitted, since the auditors had stated repeatedly that there was no urgency in regard to auditing these contracts at this time in view of their security sensitivity. The remaining difference in the numbers of contracts was caused by this office listing only

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major contract documents and the auditors listing all separate work orders as separately numbered contracts.

JAMES A. GARRISON
Chief of Logistics

cc: Comptroller

Orig. filed under Contracts